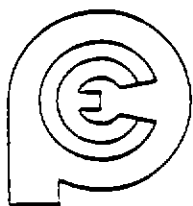


# **STUDENT CHARGES, STUDENT FINANCIAL AID, AND ACCESS TO POSTSECONDARY EDUCATION**

**A REPORT TO THE GOVERNOR  
AND THE LEGISLATURE IN RESPONSE  
TO ASSEMBLY CONCURRENT RESOLUTION 81**



**CALIFORNIA POSTSECONDARY EDUCATION COMMISSION**

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STUDENT FINANCIAL AID,  
AND ACCESS TO POSTSECONDARY EDUCATION

A Report to the Governor and the Legislature  
in Response to Assembly Concurrent Resolution 81



CALIFORNIA POSTSECONDARY EDUCATION COMMISSION  
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## INTRODUCTION

In March 1982, the California Legislature called on the California Postsecondary Education Commission to study "the impact of student charges on access to public postsecondary education" and to recommend State policy to the Governor and Legislature by May 1 on at least four topics:

1. The appropriate relationship between individual and public levels of financial support for postsecondary education.
2. Which costs of institutional operations are appropriately borne by students, and what proportion of the expenditures for these operations should be financed by student charges.
3. The impact of student charges upon each public postsecondary segment's ability to realize its role and mission in the California Master Plan for Higher Education.
4. The appropriate distribution of student financial aid among all needy California postsecondary students.

The text of this charge, Assembly Concurrent Resolution 81, appears on the back cover of this report.

The Legislature also called on the Commission to conduct this study with the advice and participation of an advisory committee broadly representative of students, faculty, and administrators from public postsecondary education and of the Legislative Analyst, Department of Finance, and the Student Aid Commission. The members of this committee are listed in Appendix A, and the Commission acknowledges their contributions to the study and this report. Without exception, their commitment to helping the Commission and the Legislature resolve the growing problems of student charges, student financial aid, and access to postsecondary education was evident in their timely responses to requests for information, their insights at all stages of the study, their active attendance at committee meetings, and their candid, thoughtful, and constructive discussion of materials prepared by Commission staff. All of their efforts contributed significantly to the Commission's recommendations and to the completion of this report by May 1. The Advisory Committee was not asked to approve or endorse these recommendations or the report, and responsibility for them is that of the Commission alone.

To respond to the Legislature's request for policy recommendations, the Commission has made two sets of assumptions about the policy and fiscal contexts of student charges, student financial aid, and access. In terms of policy, we assume (1) that the goals and principles of the 1960 Master Plan will continue to be the framework within which the State provides postsecondary education in California; and (2) that current admission and programmatic functions of the three public segments will continue. Under current practices, the Legislature reviews Trustee actions on student charges in the California State University in the context of the annual budget process. The Regents control charges in the University of California. In the California Community Colleges, districts have discretion to charge fees for specific purposes and within limits authorized by the Legislature.

In terms of fiscal context, we assume (1) that the most realistic premise is more pessimistic than optimistic--that it is unlikely that the State's financial situation will soon return to levels that will allow the kind of growth for postsecondary education that characterized the 1960s and early 1970s, and (2) that the 1981-82 levels and distribution of federal financial aid will not be drastically altered in the near future. If federal administration proposals for drastic changes in aid are endorsed by Congress, we will work with the segments, students, and the Student Aid Commission to advise the Governor and the Legislature on how those cuts may be accommodated within the State's own fiscal limits and policy objectives.

The Commission urges legislative and segmental adoption of the policies recommended in this report during this legislative session. We recognize that not all recommendations can be fully implemented in 1982-83. Some explicitly require further study, and others may require phased modification of existing practices and procedures. Most critically, complete implementation may be prevented by the great magnitude of projected State revenue shortfalls. We would urge the State and segments to act in a manner that will not further exacerbate the adverse effects of recent ad hoc budgetary decisions. Immediate adoption of policies--even if implementation must be delayed--can go far in avoiding unintended negative consequences of the adverse trends of 1981-82 and 1982-83.

The Commission's response to the Legislature's request consists of this report and seven discussion papers listed in Appendix B that were prepared by Commission staff. Part One of the report summarizes the State's goals for postsecondary education, reviews past policies for achieving these goals, and outlines the options for achieving these goals in a time of financial constraint. Part Two presents the principles that have led the Commission to its recommendations and offers six recommendations for maintaining access,

high quality, and equitable student charges through explicitly defined State policies for shared individual and public support of postsecondary education. Part Three offers four recommendations in response to the Legislature's specific concerns about the distribution of student financial aid to students with demonstrated financial need, the use of revenues from student charges, and the impact of student charges on the Master Plan roles and missions of the segments. Part Four is a brief conclusion to point out the strengths and the limitations of the recommendations.

PART ONE  
PROUD HISTORY; CLOUDED PROSPECTS

California entered the 1980s with a range of postsecondary education opportunities matched by few other states or even nations. The scope and effectiveness of this system are the heritage of the State's long commitment to widely accepted, although sometimes implicit, goals of access and excellence, stemming originally from the State Constitution's charge of 1849 that "the Legislature shall encourage by all suitable means the promotion of intellectual, scientific, moral, and agricultural improvement." Ever since, access and excellence have been the twin goals of State policy. These two goals, plus a third goal of responsibility for achieving them, were phrased by the Commission in this way (1981, p. 4):

Access: Sufficient institutions, faculty, and programs to allow every qualified California resident to participate in the type of undergraduate education beyond high school for which he or she is qualified, without restrictions because of sex, ethnicity, socioeconomic level, or cultural background.

Excellence: Institutions and programs that provide instruction, research, and public service for California and its residents that are commensurate with the needs of the people of the State and are at least equal to or better than those provided by any other state.

Responsibility: Fiscal and programmatic management that encourages individual, institutional, segmental, and State accountability and initiative in order to facilitate access and promote excellence.

These goals and the tripartite and coordinated system of higher education that California has evolved to support them have served the State well. Despite some shortcomings, the system is a model for meeting the needs of a large and diverse population with a broad range of effective instruction and programs. The specific ways by which the State has fostered access and excellence are varied and wide-ranging. Four strategies for access were made explicit in the 1960 Master Plan for Higher Education: (1) a large number of campuses geographically accessible to commuting students; (2) open admission to the Community Colleges and clear opportunity to transfer to four-year institutions; (3) no tuition and low or no fees; and (4) financial aid to the most academically qualified students in need of assistance.



Since the 1960s, the State's commitment to access has expanded to include (1) outreach to pre-college students, particularly among low-income and minority groups underrepresented in college; (2) counseling and other support services for these students once they enroll; (3) small subsistence grants for economically disadvantaged students; (4) skills programs to improve students' preparation for college work; and (5) support services to students with disabilities. The result is a wide array of programs for achieving educational opportunity. Each element, of which low fees is only one, makes a unique contribution to the whole, but none stands alone in providing access nor exists as an end in itself.

Strategies for assuring quality have long been equally important legislative concerns. High quality in education may be difficult to define with precision, but it is seldom found among crowded classrooms, overworked faculty, inadequate library holdings, and outdated facilities--the inevitable result of cumulative reductions in support for instruction. The Legislature can do little directly to assure effective classroom instruction and rigorous and imaginative research, but it can help assure conditions under which faculty, administrators, and students can achieve quality by such means as (1) fully funding the costs of instructional programs; (2) maintaining reasonable student-faculty ratios; (3) providing stable and predictable constant-dollar funding for enrollments for each of the segments; and (4) maintaining faculty salaries at competitive levels.

## TRADEOFFS UNDER FISCAL STRINGENCY

California has been generally successful in maintaining its balanced commitment to access and quality, but it is on the verge of abandoning that commitment as State revenues decline. The central financial problem for the State, the segments, and the Commission is how to maintain access and quality when major savings are required and as competing, legitimate demands on State revenues are asserted. Past tradeoffs have maintained high levels of access and quality. Cumulative budget reductions have been almost completely absorbed by reducing administrative support, delaying maintenance, and taking other actions that would both leave instructional programs intact and allow admission of all qualified students. Some further economies in administration may be possible. But the Commission is convinced that such savings will not be of sufficient magnitude to avoid encroachment on access or quality or both, if, as seems clear, State revenues will not be available to continue historic levels of college and university expenditures.

All available options require some departure from practices of the past two decades:

- Closing some campuses and reducing State support for off-campus centers, programs, and courses--thereby limiting geographic access.
- Restricting the number of students admitted to the University of California and the California State University by limiting State expenditures for their instructional programs--thereby denying access to some qualified students.
- Continuing to charge Community College students none of the costs related to their education while not increasing State subsidy--thereby excluding admitted students from oversubscribed programs and courses and protecting the appearance of access at the expense of educational opportunity.
- Raising student charges without adjusting financial aid--thereby hindering access of the students with limited financial resources.
- Continuing to admit all qualified students without increasing funds for instructional programs--thereby jeopardizing institutional quality and effectiveness.
- Admitting students into overcrowded programs and courses, making it difficult for them to progress on a normal schedule--thereby increasing overall costs for them and the State, potentially restricting access, and, over time, threatening quality.
- Increasing student charges and increasing financial aid for students with demonstrated need--thereby raising administrative and psychological barriers to access among the most impoverished.

Clearly, tradeoffs between access and quality--achieving one at the expense of the other--would be self-defeating. As the Commission stated in its most recent five-year plan, "the public interest is clear: access is valuable to students and society only if it is access to high-quality education. Access to anything less diminishes both the institution and the student" (1981, p. 5). The Commission shares the hope that State revenues will improve. Yet if, as now seems apparent, limited State resources cannot serve the public interest fully, a new pattern of State policy and support must be found that recognizes the collateral priorities of access and excellence.

## THE TREND OF STATE PRACTICES FOR STUDENT CHARGES

For the purposes of this report, student charges are defined as all of the mandatory fees assessed to all students as a condition of enrollment, including mandatory student activity or student body fees. In addition, at the University of California, these charges include, but are not limited to, the Registration Fee and Educational Fee, currently \$510 and \$300, respectively. At the State University, they include such fees as the Student Services Fee, currently \$205. Fees which are charged only to users of particular services are not included in this definition of student charges. In the Community Colleges, no fees are presently imposed on students which meet this definition of student charges. However, Community College districts are authorized to levy a variety of special user fees such as those for parking or health services. Any additional fees, such as the midyear surcharges levied by the University and State University in 1981-82, or any permanent fee increases, if they were levied on all students as a condition of enrollment, would be included in this definition of student charges and would be subject to the provisions of the recommendations in this report.

The trend of student charges during the past two decades, and particularly during the past two years, clearly indicates why the existing pattern can no longer serve either State or student interests.

### The Master Plan and the 1960s and '70s

The widely accepted principle that California residents should not pay tuition--that is, charges to support instruction--was established in the Organic Statutes that created the University of California in 1867-68. In 1960, the Master Plan Survey Team reaffirmed this principle but stated that "students should assume greater responsibility for financing their education by paying fees sufficient to cover operating costs not directly related to instruction" (1960, p. 173). The team identified two such kinds of fees:

- Costs for the operation of "ancillary" services such as housing, food, and parking, which should be entirely self-supported by their users; and
- Costs for services "associated with the educational program" such as health service, intercollegiate athletics, and student activities, which should be underwritten by all students.

During the 1960s, "ancillary" services were clearly self-supporting among all three public segments of higher education, and the two four-year segments levied mandatory charges for "associated" ser-

vices, using small portions to support certain costs directly related to instruction. The Community Colleges continued their prior practice of generally imposing no charges for any but strictly ancillary services.

In 1970-71, Governor Reagan proposed tuition for both four-year segments, a proposal that did not meet with legislative approval. The result was a split between State University practice and that in the University of California. In the State University, proposals for tuition or similar charges were rejected by the Legislature. In the University, the Regents did not support the Governor's proposal for tuition--student charge support of instruction--but they did impose an "Educational Fee" of \$150 in 1970-71 to support capital outlay. The Educational Fee was doubled to \$300 in 1971-72 and used to support some instructional costs as well. In 1976, the Regents voted to use Educational Fee revenues thereafter solely for student financial aid and related services.

During the 1970s, both four-year segments adjusted charges for services associated with the educational program to reflect inflationary and other increases in the cost of these services. The Community Colleges, however, continued to be limited to permissive charges authorized by statute--most of them in the nature of "user fees" for specific ancillary services--and imposed at the discretion of local Community College district boards. These local boards also set charges for community services and other noncredit courses not receiving State support.

#### Proposition 13 and the 1980s

In the aftermath of Proposition 13, existing practices with regard to student charges were subject to increasing strain. In 1978-79, the revenues from student charges were first used to prevent program cuts. Although the State University had to absorb its \$14 million reduction by pruning programs, the University used surplus Educational Fee revenues to offset approximately one-third of its \$15 million reduction. Most Community College districts curtailed enrollments and transferred many previously State-funded courses to student support.

By 1981, the State had exhausted its surplus and was forced to limit General Fund expenditures. In the 1981-82 Budget Act, these limits were reflected in the budgets of the three public segments, which included reductions that were offset by increased charges in the University and State University.

Subsequently, because of falling State revenues, the University and State University budgets were further reduced by gubernatorial action in October 1981. The University modified its policy on use of Educational Fee revenues to allow their use for support of

central student services that had lost State General Fund support. The State University also offset reductions by increased charges.

These actions were fundamentally important in two ways:

- For the first time, the State imposed reductions with the expectation that student charges in the University and State University would be increased to replace State support.
- And it imposed a large cut in midyear with the same expectation that increased student charges would again replace State General Funds--if only on a one-time basis.

The 1982-83 Governor's Budget again increases student charges as well as makes program cuts to offset budget reductions in the two four-year segments. Although a common alternative during fiscal retrenchment, the practice of increasing student charges to offset budget reductions distorts the ways in which students and the segments expect charges to be adjusted. At least in some instances, increasing charges can be a disincentive for institutions to seek internal economies.

As prior practices have given way to sometimes fragmented, often ad hoc, and always short-term budgetary considerations, systemic defects have risen to the surface:

- For many students and their families, instability and uncertainty of charges make the thoughtful choice of institution and a plan to finance attendance difficult.
- For segmental and institutional administrators, instability and uncertainty of State support inhibit effective use of available revenues and make it virtually impossible to plan for projected enrollments.
- For elected officials and for executive and legislative fiscal staffs, instability and uncertainty of charges practices (1) make it difficult to consider differences in charge levels among the segments and how these differences affect the flow of students among segments; (2) obscure the interdependence of student financial aid and student charges and make it difficult to coordinate efforts to offset increases in charges by increases in aid; (3) isolate decisions about the level of student charges from consideration of the consequences of these charges on participation and access; and (4) imply that the appropriate mechanism for adjustment of student charges is to be found in annual budgetary negotiations.

In a period of continued State fiscal stringency, long-standing practices for determining student charges and for financing public postsecondary education are no longer viable. New practices that preserve access and quality need to be shaped by explicit State policies rather than solely on the exigencies of the State's budgetary process.

## PART TWO

### SHARING RESPONSIBILITY FOR THE FUTURE

Past accomplishments alone cannot assure preservation of California's basically sound postsecondary education system. Deliberate recognition and fostering of the State's goals of access and excellence is required. These goals have been the foundation of State policy in the past; they must be so in the future. Day-to-day efforts at reaching these goals must be shaped by more specific principles or guidelines. The Commission finds six such guidelines useful in responding to present legislative concerns:

1. The State's and the students' shares in the cost of providing postsecondary education should be explicitly identified.
2. The State should bear the primary responsibility for the cost of providing postsecondary education, and student charges should remain as low as possible.
3. The State should assure that financial assistance is available for eligible students with demonstrated financial need. When student charges in public postsecondary education are raised, sufficient student financial aid must be provided to permit attendance of students who cannot afford the increase.
4. Student charge and financial aid policies should permit students to choose public educational institutions most appropriate to their abilities and goals. Price should not become the decisive factor in students' choices among public colleges and universities. The State should continue to support student financial aid policies which provide access to and reasonable choice among many types of postsecondary institutions, including public and independent, for qualified students with demonstrated need.
5. State policy should provide an equitable and consistent procedure for establishing and adjusting student charges. Such policy should take into account the relationship among levels of charges in the three public segments and the influence of those levels on student enrollment patterns. It should also assure that increases are gradual and moderate, and predictable within reasonable ranges, in order to avoid disrupting ongoing institutional programs and student expectations.

6. The State should adopt policies providing for greater consistency in the public subsidy for Community College course offerings and restrict priority for State subsidy to those courses that offer clear public benefits in addition to individual benefits. No general charge should be implemented for the Community Colleges until the effects of these policies are known.

From these six guidelines, the Commission recommends State policies that will continue the State's commitment to access and excellence despite fiscal stringency by (1) recognizing that the most equitable student charges policies are not necessarily no charges or low charges when student financial aid is available (Recommendations 1 and 2) and (2) explicitly relating a student's share of the cost of education to the State's larger share (Recommendations 3, 4, and 5).

ACCESS, HIGH QUALITY,  
AND EQUITABLE STUDENT CHARGES  
REQUIRE NEW STATE FUNDING POLICIES  
THAT RECOGNIZE STATE FISCAL STRINGENCY

State revenue shortfalls are likely to occur in the future, and this possibility must be recognized in determining student charges and in budgeting financial aid. When State resources were consistently plentiful, the segments could foster access and excellence and realize their Master Plan roles because (1) student charges were kept relatively low; (2) State and federal student financial aid was available beyond any contemplated in the Master Plan; and (3) differential levels of charges among the public segments took their distinct missions into account.

The success of these prior practices and of generous State funding cannot be ignored. Even though new practices are required, it is this success that leads the Commission to its first recommendation:

RECOMMENDATION 1. To the extent that resources are available, and within the policies and procedures recommended in this report, the State and the segments should attempt to achieve the levels of student charges in constant dollars and the relationships of charges among the segments as these levels and differences existed in 1980-81.

These past practices contributed to the State's progress in achieving access and would warrant continuation if the State's fiscal problems did not pose dilemmas that make continuation an unrealistic option. Dilemmas about levels of charges, for instance, can no longer be resolved solely on the basis of each segment's perception of its particular commitment to educational opportunity. Instead, they often involve tradeoffs, for example, between educating some students at little or no cost to themselves while shutting other students out completely. In these circumstances, modest increases in charges accompanied by student financial assistance are preferable because they do the least damage to access and quality.

RECOMMENDATION 2. If the choice facing the State is one of curtailing enrollments, inhibiting the ability of the State to provide the conditions under which quality can be fostered, or raising student charges, then charges should be raised and the State should provide sufficient financial aid to offset the increases in charges for students with demonstrated financial need.



If student charges--all of the mandatory fees assessed as a condition of enrollment--must be increased, the sudden increases imposed in 1981-82 and proposed for 1982-83 should be avoided. During most of the past decade, the State gradually increased its subsidy while the student share stayed relatively constant. In the past year, this trend was dramatically reversed, with sharply increased charges accompanied by a real reduction in State support. Sudden changes may ultimately do greater damage to access than higher levels of charges. Moreover, this instability tends to penalize both those who have planned most carefully for meeting college costs and those whose personal financial resources are most limited.

If the policies recommended in this report are adopted, changes in the level of student charges would be moderate and predictable. But if new or other policies are adopted, they should be phased in over a period of years if they would result in (1) establishing new charges, (2) substantially increasing the levels of existing charges, (3) widening of the differences in charges among the segments, or (4) imposing charges without provision of offsetting student financial aid.

Few, if any, appropriations for public services can be exempt from cutbacks in times of financial crisis. But it would compound student difficulties if their financial aid were reduced to meet such a crisis at the same time that their charges were being increased for the same purpose. Those students least able to meet increased charges would be asked to carry a double burden, and we urge the Governor and Legislature not to reduce student financial aid when charges are increased.

The Commission recognizes policies for student charges and financial aid cannot control erratic fluctuations in State revenues or the demands on them. Nonetheless, the Commission believes that, even if special circumstances cause unavoidable and temporary departures from policy, these recommendations can be used as a base against which to measure the impact of such departures, and as the framework for a return to a stable student charges structure.

The above recommendations present the overall policy context for the Commission's response to ACR 81. The remainder of this report provides recommendations for State policies and suggestions for implementing those policies in the four areas of specific concern to the Legislature.

APPROPRIATE RELATIONSHIPS  
BETWEEN INDIVIDUAL AND PUBLIC  
SUPPORT LEVELS REQUIRE EXPLICIT STATE POLICY  
FOR SETTING AND ADJUSTING STUDENT CHARGES

Legislative Question: What should be the appropriate relationship between individual and public levels of support for postsecondary education?

Commission Response: Historically, the relationship between individual and public support within each public segment was generally reasonable until 1980-81, and has supported State goals of access and excellence. To assure that the relationship continues to be appropriate, State policy should explicitly relate the levels of student charges to levels of State support for postsecondary education.

RECOMMENDATION 3. The State should establish explicit policies for setting and adjusting student charges. Such policies should assume a continuing combination of State and student financing of public postsecondary education and should establish the basis on which adjustments in student charges will be made.

This recommendation applies equally to the University, the State University, and the Community Colleges as integral parts of California's single postsecondary education system. But the historic and functional differences between the two four-year segments and the Community Colleges cannot be ignored in policy implementation. Separate and additional recommendations recognize the differences.

Policies for the University and the State University

In the University and State University, an explicit State policy would be an alternative to historical segmental practices for setting the level of student charges, and would provide a consistent policy basis for setting and adjusting charges.

RECOMMENDATION 4. Student charges in the University and State University should be set and adjusted according to a regular process. The level of charges in each segment should be a percent of the average of the sum of State General Fund appropriations and property tax revenues for the previous three years for the support of full-time-equivalent students in public postsecondary education.

Commission staff should work with segmental staffs on an ongoing basis to make refinements and modifications in the calculation of this base, as necessary.

4.1 Total student charges for full-time undergraduates in the University of California should be 40-50 percent of the base described in Recommendation 4.

4.2 Total student charges for full-time undergraduates in the State University should be 10-20 percent of the base described in Recommendation 4.

4.3 Graduate and postbaccalaureate professional students should pay somewhat higher charges than do undergraduate students. Charges for graduate and postbaccalaureate professional students should be fixed at between 120 and 130 percent of undergraduate charges in each segment. Student financial assistance should be provided for students whose graduate or professional education would be jeopardized by these charge levels.

4.4 To assure equitable treatment of part-time students and to recognize fixed costs associated with their enrollment, student charges for part-time students should be less than those for full-time students. The actual differential in charges should consider thresholds for financial aid eligibility, mean and median credit loads of financial aid recipients, and actual use of facilities and services by students of different credit loads.

This recommendation meets the Commission's objectives of providing a consistent policy basis for setting and adjusting charges and relating student support of postsecondary education to the State's funding commitment to postsecondary education. The base chosen to reflect that funding commitment is total State General Fund appropriations and property tax revenues used to fund postsecondary education annually, a figure which is readily available, understandable, and easy to calculate. Since it includes all the elements in postsecondary education for which State support is provided, it offers a base which cannot be manipulated easily to obtain particular student charges levels. Furthermore, by using a common base to calculate student charges, the level of charges in each segment will be directly related to the levels in the other segments. By using a three-year average of funding support as the basis for adjusting charges, advance notice of the levels of charges can be given. Because unexpected aberrations in State revenues or appropriations should not be automatically reflected in student charges, the recommended policies allow time for legislative accommodation of them. Although this proposal would establish the level of charges, this recommendation does not, nor is it intended to, speak to the issue of the use of those charges.

The Commission has recommended that students in each segment pay fees which are set as a percent of State support per student in postsecondary education. The range of percentages proposed for the University and the State University are admittedly arbitrary, but based on a belief that the existing level of fees in each of those segments is not unreasonable. As a result, the lower end of the range proposed for each segment generates a fee level which is approximately what would be in effect for 1982-83 if current proposals by the segmental governing boards and the Governor are adopted. The upper limit of the range proposed for each segment was an amount which appeared to bear a reasonable relationship to current fee levels, and which if adopted, and with sufficient financial aid provided, would not result in undue disruption to students in each segment, or to the existing gap in fee levels between the University and State University. It should be noted that in the case of the University of California, the upper end of the range would generate fee levels that could involve student support of instruction--tuition--for the first time.

These policies will assure that the level of student charges in each segment is related to the State's funding commitment. Implementation of them will provide procedures for adjusting student charges incrementally rather than suddenly and establish a basis for measuring differences in charges between segments.

The Commission examined four other major options for the basis of setting and adjusting student charges:

1. Relating charges in each segment to the cost of instruction in that segment, as suggested in the first draft of this report--but the complex cost accounting procedures it would require suggest that an appropriations base would be more useful for setting fee levels.
2. Setting student charges as a percent of the support level in one of the segments--but this would have the shortcoming of increasing charges in all segments if appropriations in the base segment were increased, even if appropriations in the other segments did not change.
3. Basing student charges in each segment on appropriations in that segment--but even if appropriations for unique elements in each segment (such as organized research in the University) were excluded from the base, this option would not assure an intersegmental relationship of student charges levels.
4. Establishing student charges levels as a portion of the average charges paid by students in the public comparison institutions of each segment--but this would base California student charges

on the fiscal and educational decisions of other states rather than on the particular revenue and expenditure needs of post-secondary education in California.

Only the selected option--appropriations plus property tax revenues --meets the critical criteria of reasonable stability over time, simplicity, economy, recognition of intersegmental differentiation of function, and responsiveness to California fiscal and educational concerns. This option suggests that fee levels in the University and State University be set within a range of percentages of this base. Once the percentage is determined, it should be maintained, with minor variations, over time. Under this plan, the base for establishing 1982-83 student charges levels as described in Recommendation 4 would be \$3,000. This figure is derived by taking the average annual support over the last three years for public postsecondary education--\$3,225,192,000--and dividing by the average number of students annually over that period--1,075,064.

Using the percentages in Recommendations 4.1 and 4.2, undergraduate student charges at the University and State University would range from approximately \$1,200 to \$1,500 and from \$300 to \$600, respectively. This compares to proposed 1982-83 fee levels of \$1,194 in the University and \$322 in the State University. The actual amount of these charges should be determined according to segmental needs and the amount of financial aid that will be made available by the State. According to preliminary estimates, between \$8 million and \$16 million in additional financial aid would have to be provided by the State to limit enrollment losses in the University if fee levels were set within the range recommended in this report. In the State University, at least \$16 million in additional financial aid would be needed to offset potential enrollment losses if 1982-83 fee levels reached the upper end of the range suggested here. More precise estimates of student financial aid needs will be provided when the Commission's student charges model is modified in May to take into account the latest changes in federal financial aid programs. Appendix C includes the segmental enrollment and appropriation figures for 1979-80, 1980-81, and 1981-82 used to calculate the base for setting fee levels.

Recommendation 4.3 establishes a basis for differential charges in the University and State University that would reflect to some degree the greater personal benefits and higher costs of graduate and postbaccalaureate professional programs in those segments. As students progress to higher and more costly levels of education, it is not unreasonable to expect them to pay somewhat higher charges than do undergraduates, assuming that sufficient student financial aid is provided for those with demonstrated financial need. At the present time, the University's Educational Fee for graduate students is \$60 more than undergraduates, and there is no differential in

the State University. The Commission finds the proposed differential reasonable, consistent with practices in many other states, and unlikely to have an impact on enrollments.

The Commission recognizes that a further differential in charges may be appropriate between graduate students and postbaccalaureate professional students. It proposes to address this issue in coming months, and will advise the Legislature of its findings before January 1983.

Recommendation 4.4 addresses issues of part-time enrollments. The ability to attend college on a part-time basis while working or meeting family obligations provides many students with their only chance for access to postsecondary education. In 1974, the Legislature stated its intent "that fee structures, admissions policies, and financial aid policies and programs at institutions of public postsecondary education not discriminate against part-time students and students choosing to combine or alternate education with other learning experiences such as work or travel" (Assembly Concurrent Resolution 161).

The University of California currently charges undergraduate students who are enrolled for ten or fewer units the full Registration Fee and one-half of the Educational Fee paid by full-time undergraduates. Graduate students who are approved for enrollment for one-half or less of the regular course load also pay the full Registration Fee and half of the Educational Fee. Furthermore, the University administers special part-time professional degree programs for which the system has developed separate student charges policies.

Currently, the California State University charges graduate and undergraduate students attending on a limited (enrolled for six units or less) basis approximately \$30 less than students enrolled on a regular basis, or between 75 and 85 percent of regular fees. The Board of Trustees has adopted a policy for 1982-83 which would eliminate any differential in the level of the Student Services Fee between limited and regularly enrolled students, although the Legislature has not yet acted on the Trustees' proposal. At the same time, the Chancellor's Task Force on a New Student Fee and Financial Aid Program has recommended that if a new fee is imposed in response to the 1982-83 fiscal crisis, the charge be different for students taking 5.9 units or less than for those taking 6.0 units or more.

To maintain access, State policy should continue segmental practice and legislative intent that differentiates student charges between full-time and part-time students. This recognizes that part-time students have limited eligibility for financial aid and that the

option of part-time attendance at a lower level of student charges serves as a form of indirect student assistance. At the same time, it acknowledges the fixed and variable costs of admitting students, enrolling them, and providing them with services regardless of class load.

### Policies for the Community Colleges

The California Community Colleges face the same critical tradeoffs among maintaining access, preserving quality, and imposing student charges that challenge the University and State University. The choices facing the Community Colleges may be more difficult than those in the University and State University for these reasons:

- Free Community College education is a long-standing tradition, with roots in the public school system and is a symbol of the "open door" to postsecondary education. As a consequence, procedures do not exist to implement a mandatory fee policy or to provide adequate financial aid to needy students.
- Community College students pursue far more diverse academic, occupational, and avocational objectives than do University and State University students.
- Substantial variation exists among districts in the use of State funds because of differences in local board decisions in meeting community educational demands and because of the complexity and uncertainty in State funding for the Community Colleges in recent years.

The Commission is concerned that State fiscal stringency may force the Governor and Legislature to impose across-the-board cuts, enrollment limits, or new student charges without time for careful consideration of the educational and administrative implications of these actions.

RECOMMENDATION 5. The State should establish explicit policies to assure a combination of State and student support of Community College programs that, to the extent possible, continue existing no-charge practices for students enrolled in courses and programs that have greatest State priority.

5.1 To assure that only those programs or courses that have greatest State priority are subsidized by the State and to assure equitable support rates for similar courses in different districts, the Legislature should direct the

Board of Governors to develop Title 5 regulations: (a) Identifying noncredit courses eligible for State support; (b) applying a uniform support rate of \$1,100 per ADA for all courses in adult basic education, high school diploma programs, English as a second language, citizenship, and community education; and (c) determining which avocational, recreational, and personal development courses should be offered as community services classes on a self-supported basis.

5.2 To assure that student support of Community Colleges falls within the policies outlined in Recommendation 5, the Legislature should direct the Board of Governors to establish a contingency plan for implementing a statewide charge policy for the Community Colleges. This plan should be prepared by December 1, 1982, should incorporate procedures (1) to implement charges that are not permissive among districts, and (2) to distribute related financial aid, and should include recommendations on at least the following:

- a. The structure of charges, including differentials for part-time students and establishment and adjustment of the level of charges according to the same base and process recommended for the University and State University in Recommendation 4.
- b. Differential charges based on either course characteristics, or on whether students are enrolled in an educational program or taking courses on an intermittent basis.
- c. The structure and funding level of student financial aid programs to offset the adverse impact of student charges and specifically to assure that at least those students who currently receive aid from need-based public assistance programs such as AFDC, SSI, SSP, or who meet the qualifications for EOPS are exempted from charges either through waivers or financial aid offsets.
- d. The relationship between revenues raised by student charges and Community Colleges financing mechanisms.

5.3 The contingency plan for a statewide fee policy recommended in 5.2 above should be implemented in 1983-84 or thereafter only if the State is unable (a) to replace one-time revenues used in 1982-83 or thereafter to offset budget reductions for the Community Colleges, (b) to maintain existing levels of revenue per ADA in constant dollars, or (c) to fund reasonable enrollment growth in courses or programs that have State priority.



Free education for Community College students must be weighed against its effect on the charges paid by their counterparts in the University and State University. In the two four-year segments, student charges have increased dramatically in the past two years. University and State University students have been required to make up the difference between available State funds and amounts needed to continue existing high standards of access and excellence. If, as the Commission must reluctantly assume, the total share of State General Funds for postsecondary education will be relatively stable over the next several years, the absence of charges in the Community Colleges will continue to mean higher charges for University and State University students. In the Community Colleges themselves, continuation of existing practices of across-the-board reductions and enrollment limitations as responses to fiscal crises will have a direct and adverse impact on access and can, by diluting instructional support, threaten educational effectiveness and excellence. Policies for a statewide charge policy may depart from long-standing tradition, but are necessary in this time of State fiscal constraint. Blind adherence to the symbol of free education in the Community Colleges can make inroads on access to postsecondary education as a whole.

The wide diversity of Community College offerings stems from the expansion of the college curriculum beyond the explicit Master Plan missions of academic and occupational education into developmental, community education, recreational and avocational areas by college districts in response to local demands. Current State funding procedures provide ambiguous guidance on how courses are to be funded to reflect State priorities. The Commission believes that a more precise formulation of State priorities is essential, and that higher priority for State support should be given to academic, developmental, and occupational programs than to community education courses that are largely avocational or recreational in nature.

In the University and State University, students share similar kinds of educational aspirations, and the imposition of a single, mandatory charge in each segment is reasonable. In contrast, such a general mandatory charge should not be imposed in the Community Colleges without careful examination of its impact. The Commission does not believe that the charges paid by students in any of the segments should, as a general rule, subsidize the education of other students. Most particularly, the implications of abandoning the no-fee policy in the Community Colleges simply because recreational and avocational courses continue to receive the same State funding priority as academic, developmental, and occupational courses must be seriously considered. We are also concerned about the possible accumulation of categorical fees in any segment. The effect of such fees is to provide special protection for specified activities, which makes them exempt from the rigorous scrutiny and

pressures for greater efficiency that other State-funded elements of postsecondary education are subject to in times of fiscal stringency.

The Community Colleges do not require formal enrollment procedures for all students comparable to those in the four-year segments under which student intentions, basic skills, or prior educational experience, for example, might be determined. The Commission believes that the possibility of instituting such enrollment procedures should be examined and determined by the Board of Governors. Alternative procedures should be assessed for simplicity, for educational purposes such as remediation, counseling, and for their relationship to the role and mission of the Community Colleges. If feasible as educational measures, then such procedures should be examined for their implications, if any, for student charges.

Information from the Community College Course Classification System reveals inequities in the way similar courses are offered and funded in different colleges. These variations arise from the nature of local decision making in the Community Colleges, and a lack of explicit State priorities for funding or for student support. In times of relative economic prosperity, such variation and lack of priorities might be tolerated. Given the current economic conditions and State revenue outlook, however, there is a need to establish priorities for the distribution of limited State resources and statewide policies for student support which have as a basis the State's educational objectives for the Community Colleges.

The criteria for noncredit course funding are broadly defined categories and subject to considerable variation in interpretation. Variations in the treatment of certain developmental courses create additional funding inequities. Most Community College districts offer adult basic education, high school diploma programs, ESL, and citizenship, and community education courses as noncredit funded at the \$1,100 per ADA rate mandated in AB 1626. In many districts, however, similar courses are offered for credit even though the credit often is not applicable toward a certificate or associate degree program. Districts which offer these courses in the credit mode receive the full credit support rate of \$1,930 for the ADA in such courses instead of the \$1,100 per ADA noncredit rate.

Finally, in many districts, personal development, recreational, and avocational courses such as jogging, surfing, jazzercise, needlepoint, and ballroom dancing, are offered for credit at the average credit rate of \$1,930 per ADA with no user fees. In other districts, these same subjects are offered as noncredit courses at the \$1,100 per ADA noncredit rate with no fees. In still other districts, such subjects are offered as community service classes and charge student fees. Given limited resources, such funding and

student charges inequities cannot be permitted to continue. Furthermore, physical education courses currently comprise nearly 9 percent of the statewide Community College total credit workload and fine and applied arts courses comprise an additional 10 percent. In effect, approximately one out of every five credit ADA funded by the State in 1981-82 stemmed from enrollment in either physical education or fine and applied arts courses. While these disciplines are part of any well-balanced liberal arts curriculum, the majority of students enrolled in such courses are enrolled for only one or two courses per term and are not taking the courses as part of any certificate or degree program.

The Commission believes that the heavy concentration of student enrollment and resulting State apportionment payments in recreational and avocational courses which yield primarily personal benefits represents a serious imbalance in the use of limited State resources for undergraduate instruction. Moreover, the Commission believes that a significant portion of the current course activity in these areas could be offered more appropriately as community services classes on a fee-support basis.

The fiscal situation faced by the State in 1982-83 may require that apportionments to the Community Colleges be adjusted to generate savings to the State General Fund. The Commission has identified several one-time measures which could be used in 1982-83 to generate such savings. Although this approach may seem contrary to the criticisms of short-term ad hoc approaches to student charges and funding needs that have been made elsewhere in this report, the Commission feels that such an approach in 1982-83 is justified in terms of the time it will allow the State and the Community Colleges to develop student charges procedures and funding priorities for subsequent years. Furthermore, such an approach provides sufficient lead time for the implementation of new policies and different priorities to reduce disruption to students and districts.

RECOMMENDATION 6. If the Legislature requires adjustment to Community College apportionments to generate savings to the State General Fund in 1982-83 and to avoid implementation of a permanent statewide fee policy in 1982-83:

6.1 State apportionments should be reduced by approximately \$30 million to reflect expected savings from implementation of Recommendation 5.1.

6.2 State apportionments should be reduced by approximately \$50 million as a one-time offset to be taken from district reserves under regulations to be developed by the Board of Governors.

6.3 The Legislature should not impose a charge on Community College students in 1982-83 unless required budgetary savings are greater than those achieved under this recommendation. An interim charge should be considered only as an emergency alternative to impairing access to, or the effectiveness of, courses and programs of high State priority, and provisions for them should (a) assure that the State provide offsetting financial aid or waivers for students receiving need-based public assistance to be distributed according to criteria established by the Board of Governors, (b) be uniform statewide, not permissive among districts, and (c) differentiate between full-time and part-time students.

The course classification and funding recommendations outlined above would bring the Community Colleges into greater compliance with this report's sixth guideline which calls for greater consistency of Community College course offerings before fees are implemented. As a second step toward meeting the financial needs of the Community College system and the State, the Commission recommends that the use of Community College reserve funds should be considered. Even during the past few years of partial adjustments for inflation, some districts have managed to maintain or even augment their reserves while many other districts have seen their reserves dwindle or disappear entirely despite continued budget cutting and careful business management.

Statewide, the level of year-end balances of all funds has remained relatively constant over the past six years at about \$400 million. It is difficult to determine an equitable mechanism for the mandated use of district reserves. In calling for the one-time use of district reserves for 1982-83 funding, the Commission believes that the Board of Governors should be directed to establish appropriate procedures for such use rather than having such procedures enacted in statute.

## PART THREE

### RESPONSE TO THREE OTHER LEGISLATIVE CONCERNS

Legislative concern over access and student charges during a period of constrained State resources is broad and pervasive. Recommendations 1 through 6 have already addressed what the Commission perceives as a mandate from the Legislature to suggest comprehensive State policy for access, excellence, and equitable student charges during fiscal stringency. At the same time, Recommendations 3 through 6 respond to the specific legislative inquiry in Assembly Concurrent Resolution 81 about the appropriate relationships between individual and public levels of support.

Assembly Concurrent Resolution 81 directed the Commission to address three other specific issues as well, and recommendations responding to these are contained in this part of the report. These three specific concerns--student financial aid, use of revenues from student charges, and segmental Master Plan roles--are no less central to maintenance of access and quality than is the relationship of individual and public support. Form, not importance, separates discussion of financial aid (Recommendations 7 and 8), use of revenues (Recommendation 9), and Master Plan roles (Recommendation 10) from the earlier ones.

APPROPRIATE DISTRIBUTION  
OF STUDENT FINANCIAL AID  
REQUIRES STATE FUNDING SUFFICIENT  
TO OFFSET INCREASES IN STUDENT CHARGES

Legislative Question: What is the appropriate distribution of student financial aid to all needy California postsecondary education students?

Commission Response: Historically, State-supported student financial aid has been appropriately distributed to students with demonstrated financial need, and has supported State goals of access. To assure appropriate distribution in the future, State policy should explicitly relate levels and distribution of aid to (1) student charges in the public segments, (2) tuition and fees in the independent sector, (3) changes in other student costs, (4) segmental procedures for distribution, and (5) federal student financial aid policies and levels.

State-supported student financial aid is a key strategy that the State has used to assure access by preventing students' financial circumstances from limiting their educational opportunities. Student charge policies and student financial aid policies are therefore interdependent. Any fundamental shift in policies related to one should be accompanied by a corresponding change in the other.

RECOMMENDATION 7. The State should provide financial assistance to qualified students whose ability to attend postsecondary institutions is jeopardized by increases in student charges. Such assistance should be provided through programs that assure equitable treatment of students with similar resources and needs.

RECOMMENDATION 8. Students throughout California should be treated similarly by State financial assistance policies regardless of the institutions which they attend, and the State should use a common and consistent methodology to assure equitable treatment.

8.1 The State should provide sufficient funding to each segment for financial aid to offset the amount of increases in charges between 1981-82 and 1982-83 for students with the fewest financial resources who do not receive Student Aid Commission grants.

8.2 The amount of financial aid to be provided by the State to offset increases in charges for students with demonstrated financial need should be based on the Commission's student charges model, modified to accommodate alternative assumptions about eligibility for additional aid other than the current assumptions based on (federal) Pell Grant eligibility.

8.3 The State should provide sufficient funds to the Student Aid Commission to fully fund charges for University and State University students who are Student Aid Commission grant recipients and who would qualify for full fee grants.

8.4 The State should continue to assist qualified students with demonstrated financial need to attend private colleges and universities, thereby protecting educational diversity and the public interest in the nongovernmental sector of higher education. Protection will require: (a) increases in maximum Student Aid Commission grants for students who attend independent institutions so that grants remain at the same constant dollar levels in 1982-83 as in 1981-82; (b) adjustments to funding levels and number of awards in the Student Aid Commission program to reflect increased student charges in both public and private institutions; and (c) inclusion, to the extent feasible, of issues related to financial aid in the independent sector in the integrated budget review proposed in Recommendation 10 below.

In order to estimate the amount of funding which the State should provide to offset the impact of charge increases for students with the fewest financial resources, the State should use a method which considers (1) the amount of any proposed increase in charges, (2) the number of financial aid recipients already enrolled, (3) the number of additional students who might become eligible with higher charges, (4) the amount of additional federal financial aid funds which might partially offset an increase in charges, (5) the ability of the Cal Grant programs to partially offset the higher charges for their recipients, (6) self-help expectations, and (7) whether or not additional aid will offset only increased charges, or both the increased charges and pending federal financial aid cuts.

The State's estimate of additional financial need should also consider (1) the current income distribution of students within each segment, (2) the current proportion of financial aid recipients within each segment, (3) the price responsiveness of students with different income levels, and (4) the availability of federal funds and Cal Grant funds. Additional funds from these sources, if

any, should be subtracted from such estimates to ensure that there is no double counting, overawards, or major differences in the way estimates of additional aid needs are made.

It is important that the State adopt a method for determining need and providing aid which is consistent among the public segments.

Currently, each segment has its own procedures for estimating student financial aid needs. These procedures employ varying assumptions and methodologies and are useful to the segments for internal decisions. The Commission's student charges model was developed to assure this consistency and the Commission will continue to work with the segments to refine and improve it. The Commission urges its own and segmental staff to develop a method for estimating the diversion of students from one segment to another because of differential charges.



APPROPRIATE USE OF REVENUES  
FROM STUDENT CHARGES  
SHOULD BE REVIEWED AS PROPOSED  
BY THE LEGISLATIVE ANALYST

Legislative Question: Which costs of institutional operations are appropriately borne by students, and what proportion of the expenditures for these operations should be financed by student charges?

Commission Response: The Commission believes that historical levels and uses of student charges for institutional operations have not had an adverse impact on State goals of access. Within the time available to respond, however, the Commission has not been able to determine the appropriateness of all the many specific uses of these charges or the appropriate proportions of costs that should be financed by the students. As noted earlier, students have not borne costs of instruction, but they have borne the costs of most ancillary operations (e.g., housing, parking, food services, etc.), and at least part of some costs "associated" with instruction (e.g., counseling, placement, etc.). University students have also borne part of the costs of student financial aid in that segment. The Legislative Analyst has recommended that the Commission undertake a study of the segments' current policy toward student fees and the use of fee revenue and the Commission will complete such a study by next December.

RECOMMENDATION 9. Pending the Commission's recommendations on the use of revenues from student charges as requested by the Legislative Analyst, including analysis of restrictions on the use of charges and their use for student financial aid in the University, no changes should be made in the current uses of these revenues.

The use of revenues derived from charges is not as important to maintaining access as the amount of these charges and the availability of financial assistance. As matters of principle, however, the Commission is gravely concerned about two major issues involving the use of these revenues:

1. Restrictions on use of revenues from student charges to specific student services gives a protected status to these activities. So shielded from the impact of State budget reductions, these protected activities are in a far different position from instructional programs which must bear the full impact of reductions (California Legislature, 1982, pp. 1385-1386). Re-

moving restrictions, however, could allow use of revenues for instructional purposes such as faculty salaries, and would thus depart from existing policies that have encouraged full State support of instruction and mean imposition of "tuition," the symbol of restricted access for many years.

2. At the University of California, student charges support student financial aid programs. Neither the State University nor the Community Colleges use student charges for this purpose. Within the University, the practice means that students who can pay full fees are paying more than the cost of services in order to pay for the education of other students. Yet these other students are eligible for aid that the State has not thus far provided and that is not available in the other two public segments.

THE IMPACT OF STUDENT CHARGES  
ON SEGMENTAL MASTER PLAN MISSIONS  
SHOULD BE CONSIDERED BY INTEGRATED REVIEW  
OF STUDENT CHARGES AND STUDENT FINANCIAL AID  
IN STATE BUDGETARY PROCEDURES

Legislative Question: What is the impact of student charges upon each public postsecondary segment's ability to realize its role and mission in the California Master Plan for Higher Education?

Commission Response: Historically, low student charges have reflected each segment's special functions and its students' educational aspirations, and have, therefore, reinforced Master Plan roles and missions as well as State goals for access.

The Commission finds that levels of student charges have not yet had an adverse impact on the roles and missions of the segments as set out in the Master Plan. The Commission is concerned, however, that the substantial increases in charges in the University and State University made in 1981-82 and proposed for 1982-83 may have an adverse impact on roles and missions, for these increases may make price, rather than segmental function, a primary motive in student selection of campuses. Adverse impacts can be expected if State policy does not explicitly relate (1) student charges, (2) Master Plan roles and missions, and (3) the implications of probable financial and enrollment stress.

RECOMMENDATION 10. The Governor's Budget should (1) display in a single consolidated summary each year the current and proposed levels of charges for each segment, (2) explain the rationale for any proposed adjustments, and (3) show the current and anticipated funding for student financial aid from all major sources. The legislative fiscal subcommittees should review this information in the same form, examining all three public segments and the Student Aid Commission together during budget hearings. To the extent feasible, implications for the independent sector should be considered. The Legislative Analyst and the California Postsecondary Education Commission should provide comments to the Legislature on the levels of charges and financial aid proposed in the Governor's Budget.

The distribution of student enrollments among three segments with distinct functions cannot be adequately considered when charges are set in the waning hours of the State budget process just a few

weeks before the opening of classes in the fall. Time is not available for sufficient consideration of the appropriate relationship of charges among the three public segments, of the need for student financial aid, or of the effect that charges might have on student choice of segment. The structure of the State budget and the procedures for its review by the Legislature also contribute to the fragmentation of State policy for student charges and student aid. Each segmental and agency budget is presented and reviewed independently, thereby limiting opportunities to examine critical relationships among the levels of segmental charges or between charges and student aid funding.

## PART FOUR

### OUR CERTAIN GOALS; OUR UNCERTAIN FUTURE

California's postsecondary education system is basically sound, but, as recent events have shown, its success makes it extremely vulnerable during periods of State fiscal stringency. This report addresses what the Commission finds to be the most urgent of legislative concerns: How can high standards of access and educational effectiveness be maintained and enhanced when State resources are no longer able to provide historic levels of support? The Commission has recommended--not without reluctance--that a combination of increased student charges and increased, State-funded student financial aid will best serve the overriding public interest in maintaining access and quality and establishing a consistent State policy in this area.

The Commission's reluctance is based in part on the departure from its own history of supporting no or low charges in public colleges and universities. But that reluctance also stems from the danger that charges may be increased without offsetting student financial aid; a danger that cannot be avoided. The Commission is well aware of the tenuous balance between State revenues and State expenditures, a balance that can be easily and suddenly upset: a flood, an earthquake, or a Mediterranean fruit fly can reverse the best of governmental intentions. But the Commission believes that the danger can be contained if the Governor and Legislature adopt the recommendations of this report. If long-term policies are explicitly stated, emergency departures can be recognized and plans laid for stabilization within those policies.

Within the broad context of access, narrower but extremely serious questions arose. Time was short for resolving these questions, but more important than time, a proper context for consideration was lacking. Two major questions in particular--(1) "tuition" and appropriate restrictions on the use of student charges, and (2) the University's current use of student charges for student financial aid--should not be addressed until the State has adopted the basic policy of protecting access and quality through the use of increased student charges and increased, offsetting, State-funded student financial aid.

Prior to 1980-81, State funding levels allowed the four-year segments to charge low fees, and the differences among the segmental charges were probably not enough to have inadvertently diverted students because of price. However, recent rapid increases in

charges in the University and State University have made it apparent that "benign neglect" of this area of State financing is no longer possible. With the best of motives, independent setting and adjusting of student charges by the segments, compounded by separate State consideration of segmental and Student Aid Commission budgets, may generate serious adverse consequences for historical standards of access and educational effectiveness.

Choices must be made, however, and all available choices involve tradeoffs among equally worthy options: access, excellence, and equity. The Commission is convinced that there is an overriding public interest in continuing and improving existing standards of excellence. If charges are not raised, both access and quality will be threatened. Those students not turned away outright from institutions may be admitted only to find overcrowded classes and programs. Raising student charges may provide revenues to maintain quality programs, but some students may no longer be able to afford the price of admission.

Raising student charges and allocating sufficient funding for financial aid presents an alternative that provides the revenues necessary to continue excellence at the same time that it provides funding to protect students with demonstrated financial need from the negative effects of charge increases. Admittedly, the increased price will present a real psychological barrier for some students even though offsetting aid is provided. Nevertheless, sharing responsibility through higher charges and high financial aid is the least damaging of the sad assortment of options available.

The Commission offers its recommendations with the intention that they be adopted. It must, in this conclusion, add cautions that must be heeded regardless of adoption of its recommendations. The State and the segments must take extreme care over the coming months and years to avoid exacerbating what the Commission sees as actual or emerging threats to access and excellence. Among these threats: widening the gap in charges between the University and the State University; increasing student charges in the absence of offsetting State-funded student financial aid; unintended reallocation of existing student aid from students attending independent colleges and universities to students in public institutions. As sound as California's postsecondary education system is, it is still vulnerable to an inadvertent accumulation of small, incremental stresses.

The Commission has few illusions that its recommendations will meet universal approbation among its many and diverse constituents. Yet it finds great encouragement in the deliberations of the Advisory Committee and in the invaluable help that the Committee provided. Committee members did not always agree with our point of view; and

equally often they seriously questioned other members' opinions. But agreement was reached, the Commission believes, on the major issues faced by postsecondary education. At least of equal importance, disagreement and conflict over resolution of the issues was not allowed to interfere with progress toward timely completion of the report. The Commission believes that this same even-tempered, informed, and conscientious discussion can continue over the trying years ahead. The issues are critical; reasonable differences on their resolution will continue; and resolution must take place in a changing and unpredictable environment. But all who speak in the name of postsecondary education and its interests share a vital concern that the issues be resolved.

## APPENDIX A

### ACR 81 Advisory Committee

In addition to the Commission's own Ad Hoc Committee on ACR 81 (identified by asterisks on the inside front cover), the Commission established an Advisory Committee consisting of the following faculty members, students, and administrators from the three public segments of California postsecondary education as well as representatives of the Legislative Analyst, the Department of Finance, and the California Student Aid Commission:

William R. Frazer	University of California Systemwide Administration
Lyman Glenny	University of California Faculty Senate
Gerald Hayward	California Community Colleges Chancellor's Office
Michael Johnson	University of California Student Body President's Council
Arthur Marmaduke	California Student Aid Commission
Nancy McFadden	California State Student Association
Dale Shimasaki	Office of the Legislative Analyst
Robert Silverman	California Community Colleges Faculty Senate
Anita Silvers	California State University Faculty Senate
John M. Smart	California State University Systemwide Administration
LaFenus Stancell	Department of Finance
Ann Terrell	California Community Colleges Student Government Association



The following observers from independent colleges participated in the discussions of the ACR 81 Advisory Committee:

Robert Fuentes

California Association of  
Independent College and  
University Students

Morgan Odell

Association of Independent  
California Colleges and  
Universities

The Committee met three times: (1) on February 22, 1982, to discuss consultation with the Commission staff during the development of the Commission's response to ACR 81; (2) on March 16, to review the issues related to access and student charges which Commission staff had identified as central in preparing the response; and (3) on April 13, to discuss the Commission's preliminary analysis, conclusions, and recommendations.

In addition to providing comments at these meetings, members of the Advisory Committee submitted written comments to the Commission staff regarding the preliminary response, background papers, and other issues of concern. Members of the Committee also responded to a questionnaire from the Commission staff regarding issues related to student charges in order to focus the Commission's report on issues of greatest consequence.

The written comments of members of the Committee on the final report are being compiled and will be distributed to the appropriate legislative committees and to Advisory Committee members. They will be available from the Commission as Commission Report 82-21.

## APPENDIX B

### Discussion Papers and Resource Documents

In order to provide background to the members of the ACR 81 Advisory Committee and the Commission's Ad Hoc Committee on ACR 81, Commission staff developed the following papers on topics related to financing postsecondary education, access, and student charges issues:

1. Student Fees and Fee Policies in California.
2. What Happened at the City University of New York in 1976?
3. Variables Needed to Estimate the Impact of Student Charges on Students and Institutions.
4. Alternative Policies for Setting Student Charges.
5. The 1960 Master Plan for Higher Education in California: Past and Present.
6. The State's Provision of Access: 1960 to the Present.
7. Finance Policies, Prospects, and Issues.

These discussion papers are available without charge as Commission Report 82-16 from the Commission offices.

In addition to these papers, staff relied on a number of policy and analytic papers on the subjects of student charges, financing postsecondary education, and student financial aid as resources in the development of this report, including:

Breneman, David W. "Financing Higher Education: State Issues for the 1980s." Paper prepared for a Regional Conference on Critical Choices in Western Higher Education, Denver, Colorado, October 26, 1981.

California Postsecondary Education Commission. The Price of Admission: An Assessment of the Impact of Student Charges on Enrollments and Revenues in California Public Higher Education. Commission Report 80-2. Sacramento: The Commission, 1980.

- . Determining the Cost of Instruction in California Public Higher Education. Commission Report 80-13. Sacramento: The Commission, 1980.
- . The Challenges Ahead: A Planning Agenda for California Postsecondary Education, 1982-1987. Commission Report 81-25. Sacramento: The Commission, 1981.
- . The Challenges Ahead: Issues in Planning for California Postsecondary Education, 1982-1987. Commission Report 81-26. Sacramento: The Commission, 1981.
- . Implementation of the California Community Colleges Course Classification System. Commission Report 82-14. Sacramento: The Commission, 1982.

Carnegie Commission on Higher Education. Higher Education: Who Pays? Who Benefits? Who Should Pay? New York: McGraw-Hill, 1973.

Carnegie Council on Policy Studies in Higher Education. Three Thousand Futures: The Next Twenty Years for Higher Education. Final Report of the Carnegie Council on Policy Studies in Higher Education. San Francisco: Jossey-Bass, 1980.

Kaufman, Norman S., and Viehland, Dennis W. Tuition and Fees in Public Higher Education in the West, 1981-82. Boulder, Colorado: Western Interstate Commission for Higher Education, 1981.

## APPENDIX C

### Appropriations and Enrollments in California Public Postsecondary Education, 1979-80 to 1981-82

Tables 1 and 2 provide the segmental appropriation and enrollment figures for 1979-80 to 1981-82 which were used to calculate the base for setting and adjusting fee levels in the public segments as proposed in Recommendation 4. Annual enrollment and appropriation figures were averaged over these three years, and then average appropriations were divided by average enrollments to calculate average State support per student for these years.

TABLE 1  
ANNUAL STATE GENERAL FUND, PROPERTY TAX,  
AND STUDENT FEE REVENUES SUPPORT FOR PUBLIC  
POSTSECONDARY EDUCATION 1979-80 to 1981-82  
(millions of dollars)

	<u>General Fund</u>	<u>Property Tax</u>	<u>Student Charges</u>	<u>Total</u>
1979-80				
University of California	\$ 901,951	---	\$ 84,154 <sup>a</sup>	\$ 986,105
California State University	814,453	---	42,000 <sup>b</sup>	856,453
California Community Colleges	1,002,100	\$295,000	---	<u>1,297,100</u> \$3,139,658
1980-81				
University of California	\$1,074,584	---	\$ 97,268 <sup>a</sup>	\$1,171,852
California State University	952,052	---	44,000 <sup>b</sup>	996,052
California Community Colleges	1,100,700	\$308,000	---	<u>1,408,700</u> \$3,576,604
1981-82				
University of California	\$1,098,986	---	\$121,419 <sup>a</sup>	\$1,220,405
California State University	963,453	---	72,000 <sup>c</sup>	1,035,453
California Community Colleges	1,092,300	\$405,000	---	<u>1,497,300</u> \$3,753,158

- a. Educational Fee and Registration Fee revenues.  
b. Includes Student Services Fee revenues used for Student Services.  
c. Includes Student Services Fee revenues used for Student Services, \$16.50 fee increase imposed for Spring 1982, and \$46 fee surcharge imposed because of the 2 percent budget reduction in current year budget.

TABLE 2  
ANNUAL FULL-TIME-EQUIVALENT (FTE)  
AND AVERAGE DAILY ATTENDANCE (ADA)  
ENROLLMENT IN CALIFORNIA POSTSECONDARY EDUCATION  
1979-80 to 1981-82

	<u>University of California (FTE)</u>	<u>California State University (FTE)</u>	<u>California Community Colleges (ADA)</u>	<u>Total</u>
1979-80 (actual)	122,761	232,936	670,115	1,025,812
1980-81 (actual)	126,119	239,015	727,768	1,092,902
1981-82 (projected)	123,666	236,850	745,962	1,106,478

## REFERENCES

- California Legislature. Analysis of the Budget Bill of the State of California for the Fiscal Year July 1, 1982, to June 30, 1983: Report of the Legislative Analyst to the Joint Legislative Budget Committee. Sacramento: Legislative Analyst, 1982.
- California Postsecondary Education Commission. The Challenges Ahead: A Planning Agenda for California Postsecondary Education, 1982-1987. Commission Report 81-25. Sacramento: The Commission, November 1981.
- Master Plan Survey Team. A Master Plan for Higher Education in California, 1960-1975, Prepared for the Liaison Committee of the State Board of Education and The Regents of the University of California. Sacramento: California State Department of Education, 1960.

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# CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

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THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature.

## Members of the Commission

The Commission consists of 15 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. The other six represent the major segments of postsecondary education in California.

As of early 1989, the Commissioners representing the general public are:

Mim Andelson, Los Angeles  
C. Thomas Dean, Long Beach  
Henry Der, San Francisco  
Seymour M. Farber, M.D., San Francisco  
Helen Z. Hansen, Long Beach  
Lowell J. Paige, El Macero, *Vice Chair*  
Cruz Reynoso, Los Angeles  
Sharon N. Skog, Palo Alto, *Chair*  
Stephen P. Teale, M.D., Modesto

Representatives of the segments are.

Yori Wada, San Francisco, appointed by the Regents of the University of California

Claudia H. Hampton, Los Angeles; appointed by the Trustees of the California State University

Borgny Baird, Long Beach, appointed by the Board of Governors of the California Community Colleges

Harry Wugalter, Thousand Oaks, appointed by the Council for Private Postsecondary Educational Institutions

Armen Sarafian, Pasadena; appointed by the California State Board of Education

James B. Jamieson, San Luis Obispo, appointed by California's independent colleges and universities

## Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory planning and coordinating body, the Commission does not administer or govern any institutions, nor does it approve, authorize, or accredit any of them. Instead, it cooperates with other State agencies and non-governmental groups that perform these functions, while operating as an independent board with its own staff and its own specific duties of evaluation, coordination, and planning.

## Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, the Commission's meetings are open to the public. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request prior to the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Kenneth B. O'Brien, who is appointed by the Commission.

The Commission publishes and distributes without charge some 40 to 50 reports each year on major issues confronting California postsecondary education. Recent reports are listed on the back cover.

Further information about the Commission, its meetings, its staff, and its publications may be obtained from the Commission offices at 1020 Twelfth Street, Third Floor, Sacramento, CA 95814-3985, telephone (916) 445-7933.

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Assembly Concurrent Resolution No. 81—Relative to  
student charges

LEGISLATIVE COUNSEL'S DIGEST

ACR 81, Hart. Student charges

This measure would direct the California Postsecondary Education Commission to conduct a study of the impact of student charges upon access to public postsecondary education and present its recommendations to the Governor and the Legislature by May 1, 1982.

WHEREAS, The State of California has a long-standing history of tuition-free, low-cost public postsecondary education; and

WHEREAS, Severe state budget constraints necessitate an examination of public postsecondary school finance, including student fees and tuition, and

WHEREAS, There exists no comprehensive state policy concerning the appropriate use of student fees and tuition, now, therefore, be it

*Resolved by the Assembly of the State of California, the Senate thereof concurring,* That the California Postsecondary Education Commission conduct a study of the impact of student charges on access to public postsecondary education, and be it further

*Resolved,* That the study include recommendations for state policy on these topics and others relevant to the discussion of student charges, including

(1) The appropriate relationship between individual and public levels of financial support for postsecondary education

(2) Which costs of university operations are appropriately borne by students, and the proportion of the expenditures for these operations that should be financed by student charges

(3) The impact of student charges upon each public postsecondary segment's ability to realize its role and mission in the California Master Plan for Higher Education.

(4) The appropriate distribution of student financial aid among all needy California postsecondary students, and be it further

*Resolved,* That the California Postsecondary Education Commission conduct this study with the advice and participation of a student from each public postsecondary segment, appointed by the appropriate student organization, a representative from the administration of each of the segments, appointed by the chief executive of each of the segments, a faculty representative from each of the public postsecondary segments, appointed by the faculty governing body of each of the segments, and a representative each from the Legislative Analyst, the Department of Finance, and the California Student Aid Commission, and be it further

*Resolved,* That the study be presented to the Governor and the Legislature by May 1, 1982